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The Impact of Internal Hiring Processes on Women's Career Advancement and Pay

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The Impact of Internal Hiring Processes on Women's Career Advancement and Pay

Abstract

Key Findings

Gender inequality is a frustratingly stubborn and persistent challenge for many organizations. Not surprisingly, then, practitioners and scholars alike have called for additional research into gender differences in advancement and pay both to uncover the reasons why they occur and to suggest ways they might be mitigated, if not eliminated. This study answers that call by examining whether formal job posting is superior to informal sponsorships in: (1) fostering the advancement of women into higher-level jobs, (2) reducing the pay gap between men and women as they progress in organizations, and (3) encouraging women to seek higher-level jobs.

Overall, the study's answers to these questions are "yes," "yes," and "it depends." Specifically, the research showed:

- Across the board, women were far more likely than men to be successful in their internal job searches when they used formal job posting than when they relied on informal sponsorships. This is not to say, however, that women did better because of gender per se. Rather further analysis showed that it had more to do with the relative standing of the jobs that women occupied. Specifically, formal job posting was more effective for those in lower-status jobs and functions, as well as for those embedded in large work groups, and in the organization studied (as in many others) these are the jobs, functions and types of work groups that contained relatively large numbers of female employees.
- Formal job posting trumped informal sponsorships when it came to the equivalency of salary offers. There was no gender gap when formal job posting was used. When informal sponsorships were utilized, however, men received salary offers that exceeded those of women by an average of 1.8 percent.
- Overall, women applied for posted jobs more frequently than men did. Again, this largely reflects the dominance of women in lower level, less visible jobs. When these and other job-related factors were controlled for, women were between 12 and 26 percent less likely than men to apply for posted jobs for which they were qualified. Taken together, these results suggest that women were impeded by gender-related and/or structural factors from using what for them would have been a particularly potent means of seeking advancement to higher-level jobs.

Thus, the study strongly suggests that women benefit in terms of both career advancement and pay to the extent companies rely on formal job posting to fill vacancies internally. This is especially true for women who are mired in low status, low visibility jobs. At the same time, though it appears that a reliance on formal job posting will work only if organizations can find ways to overcome the impediments that

tend to keep qualified women from making full use of this potentially powerful tool.

Keywords

diversity, inclusion, diversity and inclusion, internal hiring, sponsorship, formal posting, gender inequality, pay gap, promotion, career path, pay equity, job ladder, gender barrier

Disciplines

Benefits and Compensation | Training and Development

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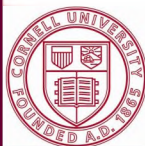
THE IMPACT OF INTERNAL HIRING PROCESSES ON WOMEN'S CAREER ADVANCEMENT AND PAY

Key Findings

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The Study

The study was conducted in a large United States-based health services company, using two main sources of data: annual personnel records for the years 2008 to 2012 and detailed information on all internal job moves made in the company during 2012. In this organization, managers are given considerable latitude in deciding how to fill job openings. When filling jobs internally, they use one system if they are posting the openings and another system if they are sponsoring particular candidates for the jobs. Thus, it is clear from company records which process was used for each of the internal moves that were made during the focal year.

The analysis concentrated on advancements which included both promotions to higher positions and changes that resulted in substantial

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expansions of job responsibilities and duties (even if job titles remained the same). In 2012 there were 4,635 advancements; 57 percent were filled via formal job posting and 43 percent were filled utilizing informal sponsorships. Internal moves were counted as consummated when job offers were made rather than when the job offers were accepted because 10 percent of the job offers made were declined, mostly because the individuals involved chose to accept competing offers from within the same firm.

A major limitation of the study is that it was conducted in a single firm, thus restricting its generalizability to other situations. The best way to counter this limitation, of course, is for other organizations to let researchers in to conduct additional studies. This research should replicate the present study, but also go further to focus on specific interventions and features of internal job posting procedures that organizations use to assure that women have ample access to all job openings, make full use of the opportunities available, and, above all, obtain their fair share of the job offers and pay increases that are made.

The Research Questions and the Results

Traditionally, large organizations have relied on well-defined internal labor markets to create career paths for employees and to decide who would move, when, and where as opportunities arose. More recently, however, a number of external developments – especially globalization and intense technology-driven competition – have required companies to restructure their operations in pursuit of greater marketplace agility and internal flexibility. As structures have flattened and functional demarcations have become more permeable, traditional internal labor markets have been dismantled leaving organizations in search of alternative approaches to filling job vacancies. While this has been challenging, it also has provided an opportunity. There is ample evidence to show that traditional approaches often left women stranded in low-status and low-paying positions, thus the need for new approaches opens the door to the development of processes that will rectify this long-standing problem.

So far the search has led to the reemergence of two approaches – formal

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job posting and informal sponsorships – that have been around for a long time. Formal job posting is a market-oriented process in which managers with job openings post information about them on some sort of open forum and invite interested employees to apply (applicants are then culled using standard selection techniques). While many companies have policies requiring managers to post all open positions (up to some level), research and experience suggest that these policies aren't always enforced. This leaves managers free to bypass the posting process if they choose and instead use an informal, relationship-oriented process that relies primarily on personal contacts. Quite often, as in the organization studied here, the two approaches operate side by side.

The main research question of interest here, then, was whether these approaches are effective when it comes to promoting career advancement and pay equity for women. The initial expectation was that formal job posting would be more effective than informal sponsorships on both counts. With respect to career advancement, formal job posting assures that all employees have equal access to information about job openings, whereas a reliance on informal sponsorships restricts the applicant pool to those who are familiar to hiring managers, thus running the risk of glossing over women who often are less visible. This is particularly a problem when hiring managers are male and inclined to know and prefer applicants who are like them (which is why the informal approach is sometimes referred to as the "old boys' network"). With respect to pay equity, formal job postings tend to create a legitimate forum for engaging in meaningful pay negotiations and might encourage women to do just that. Informal sponsorships, on the other hand, promote more relational-type negotiations which women tend to prefer, but which often yield disappointing results when pay is at issue.

While formal job posting may yield better results for women, there are reasons to believe that the process is implicitly gendered thus leading women to be reluctant to use it. Even to enter the process, for example, requires that employees aggressively assert themselves and once in, that

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they engage in a certain amount of self-promotion. Both of these behavior patterns are more closely associated with men than with women. Further, when posting jobs hiring managers often are inclined to think in terms of a "wish list" of required qualifications which may be off-putting to women who are more inclined than men to take formal statements of this type at face value.

Based on the foregoing, the study examined three hypotheses:

Hypothesis 1: Workers occupying lower-status (i.e., female dominated) jobs are more likely to advance through formal job posting than through informal sponsorships. This hypothesis was strongly supported. Job posting was more effective for workers in lower-status jobs, functions, and work groups and this is where women were most prevalent in this organization. Even when these and other job-related factors were controlled, women were 19 percent more likely than men to advance via formal job posting versus informal sponsorships.

Hypothesis 2: Any gender gap in starting salaries associated with the move to a new job within the firm will be lower when jobs are filled by formal job posting than by informal sponsorships. This hypothesis also was strongly supported, but with an unanticipated twist. Overall, employees who made moves through formal job posting rather than informal sponsorships made two percent more in their new jobs. This was true for both men and women. For men the pay premium was one percent, while for women it was almost three percent. Thus, the use of formal job posting went beyond simply reducing the anticipated advantage for men and actually reversed the situation by creating a gender gap in favor of women.

Hypothesis 3: Women will be less likely than structurally and observationally equivalent men to apply for internally posted jobs. This hypothesis was also strongly supported. When job-related factors were controlled, women were between 12 and 26 percent less likely than men to apply for posted jobs for which they were qualified. Additional analyses suggest what factors may have been at work here. Compared with similarly-situated men, women applied for posted jobs more frequently when: (a) their current jobs were quite similar to the posted jobs, (b) they were relatively high performers, and (c) they were slightly older and had more seniority. In other words, less so than men, women tended to enter the

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competition only when they were pretty confident of coming out on top.

The Takeaway

- Taken together, relevant theory and the results of this study strongly suggest that formal job posting holds tremendous potential to reduce gender inequalities in career advancement and pay. This is particularly true for women who are on the low end of the job ladder. The challenge for organizations, however, is to find ways to help women overcome the barriers that seem to discourage them from relying on this particular approach. There are a few ways to go about this:
 - ◊ One focuses on interventions to change women's behaviors and/or attitudes. These include training programs that encourage them to get into the self-promotion game and then help them develop the skills it takes to do this effectively. Or they might involve actions aimed at overcoming the reluctance of women to take risks while encouraging more proactive behavior even when they feel that the odds might be stacked against them. Most observers seem to agree that while these types of interventions may help somewhat, they are likely to fall well short of what is needed.
 - ◊ The second approach is structural in nature. It centers on making changes in the formal job posting process so that it clearly is more accessible and friendly to women. For example, steps could be taken to make the process developmental as well as evaluative; that is, to make sure that unsuccessful applicants are counseled not only on the reasons why they didn't receive job offers, but also on the steps they should take to make a stronger case next time. A second change would be to provide workers with impartial advice with respect to the opportunities they should (and should not) pursue. The catch here, of course,

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is that the sources of such advice often are the very people that are less accessible to women. The answer, employed by some organizations, is to invest in resources — e.g., online career counselors — who have access to data that show what types of applicants typically are successful in attaining particular jobs.

- ◇ A third change is one that may be the easiest: altering the nature of job postings to make them more realistic. There is reason to believe, for instance, that it would help if they clearly identified any “knock-out” factors and otherwise emphasized the general nature of the job and work environment and encouraged rather than discouraged “stretch” applicants. It also would help if job postings explicitly stated that salaries are negotiable.

Of course, as such interventions and changes are implemented studies should be undertaken to determine which, if any, produced the desired results.

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